

EXHIBIT C21-3

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

CAVALIER TELEPHONE, LLC)	
)	
versus)	Civil Action No. 3:01CV736
)	
VERIZON VIRGINIA INC.)	

AFFIDAVIT OF MARTIN W. CLIFT, Jr.

1. I am over the age of 21 and competent to give this affidavit. I know the information stated below to be correct as a matter of my personal knowledge or through my position as Vice President-Regulatory of Cavalier Telephone, LLC ("Cavalier").

Background

2. For more than 30 years, I have been involved in the regulatory side of the telephone business.
3. Before moving from Michigan to Virginia with Brad Evans to start up Cavalier in 1998, I was Director of Regulatory Affairs with Brooks Fiber Communications, the successor to U.S. Signal.
4. I also worked in the regulatory department at Southern New England Telephone (SNET) for 12 years.

Verizon's "Loop Bills"

5. As explained in an accompanying affidavit of Cavalier's president, Brad Evans, Cavalier provides service to its customers through its own equipment and facilities,

such as its own Lucent 5ESS switches and its own fiber-optic networks, to the maximum extent that is reasonable and practical.

6. This equipment and facilities reaches from points of interconnection with the networks of other telephone companies, such as wireless or long-distance carriers, through Cavalier's switching sites and out to "central offices" or "wire centers."
7. However, Verizon Virginia Inc. ("Verizon") controls certain "last-mile facilities" that Cavalier must lease from Verizon.
8. Cavalier has a contract with Verizon to guarantee the delivery of these last-mile facilities, in a so-called "interconnection agreement" that includes a number of obligations on the parties, including the procedures for billing and billing disputes. (A copy of relevant portions of this interconnection agreement is attached to this affidavit as Exhibit "1.")
9. Verizon provides these facilities to Cavalier at wholesale prices set by the Virginia State Corporation Commission (incorporated into the interconnection agreement) and the prices will depend in part on the "density cell" within which a particular customer is located.
10. These prices for last-mile facilities, or "loops," are also discounted by amounts ordered by the Federal Communications Commission (FCC), as one of the conditions imposed in its approval of the Bell Atlantic-GTE merger that spawned the parent company of Verizon.
11. During the past 27 months, Verizon has never provided Cavalier an accurate wholesale bill for these last-mile facilities, and as more fully described in David

Whitt's affidavit, Verizon has failed to provide Cavalier with inaccurate bills for other services as well.

12. Cavalier's vice president-finance, David Whitt, describes some of these problems in an accompanying affidavit.
13. Some of the fundamental issues are Verizon's refusal to apply the proper rate elements (based on the density cell) in its "loop bills" to Cavalier, and its inability to apply the merger discounts ordered by the FCC in these "loop bills" for thousands of customers every single month.
14. These problems are magnified to unreasonable proportions given the fact that Verizon refuses to provide Cavalier with its monthly loop bills in an electronic format, insisting instead on sending Cavalier 50,000 pages of paper bills per month, representing an individual bill for each of Cavalier's "access lines" delivered to each of Cavalier's customers.
15. It is commercially and practically impossible for Cavalier to reconcile 50,000 pages of individual customer loop bills every month with Cavalier's own information about the Verizon loops that it uses to provide service to its customers, particularly given the magnitude of the misapplication of the density rates to the bills and the failure of Verizon to include the merger discounts for the thousands of Cavalier bills entitled to such reductions.
16. Verizon, in testimony in recent proceedings in Pennsylvania, has conceded that the volume of paper bills generated by Verizon creates an unmanageable problem for competitors with large volume businesses, and that the only way to practically

facilitate a timely review and audit of such volumes of monthly bills is through an accurate electronic bill.

17. The magnitude of these problems are further highlighted by the fact that Verizon does not deliver hundreds of thousands of paper bills to its own retail organization each month but rather reconciles these charges seamlessly, through electronic means.
18. The magnitude of these problems is even further highlighted by the fact that Verizon does not dump reams of paper bills on its large retail customers, but rather touts its user-friendly electronic bill as a key feature of its service to its own retail customers.
19. Despite Cavalier's requests that Verizon provide Cavalier a similar accurate and user-friendly electronic bill as the bill-of-record, Verizon refuses to do so and instead continues to drop-off in excess of 50,000 inaccurate individual paper bills every month.

Industry-Wide Nature of Verizon's Billing Problems

20. Cavalier is just one of many competitors that suffer the kinds of billing problems described above, and the problems have become so widespread that the U.S. Department of Justice (DOJ) has selected this problem as constituting a major barrier to competitors in its recent comments to the FCC.
21. For instance, DOJ noted the anticompetitive effects of Verizon's billing practices when Verizon applied for authority to offer long-distance services in Pennsylvania.

22. The DOJ's July 26, 2001 report to the FCC (Exhibit "2" to my affidavit), observed that: competitors "could not rely on voluminous paper bills, due to resource and time constraints, to audit bills fully or effectively, thus unable to determine inaccuracies contained in the bills (pg. 7); and that "Verizon has testified that it recognizes the importance of electronic billing and the difficulties of reconciling paper bills" (pg. 8, and ft. n. 28); and that "without functional electronic bills, CLECs have no practical way to determine whether Verizon is charging them correctly for services they have ordered" (pg. 11); and, finally, that DOJ found it "questionable whether Verizon's systems are currently able to support the billing needs of numerous CLEC customers, given the problems that have already surfaced . . ." (pg. 12).
23. Further, Verizon's own employees highlighted the problems caused by Verizon's lack of a reliable, electronic billing system, in comments filed in Pennsylvania by the Communications Workers of America (CWA), the union representing those workers.
24. Among other things, the CWA emphasized in its July 11, 2001 comments, (Exhibit "3" to my affidavit) that Verizon has failed to develop a more reliable and accurate electronic billing system, and that what has been developed "has not proven to be operational" and that Verizon "has yet to provide competitive local exchange carriers (CLECs) with an electronic bill that is sufficiently reliable for Verizon to consider it the official bill of record. As a result, CLECs must sort through and read hundreds of boxes of paper bills in order to check the accuracy of their bills." (pp. 2,4)

25. Although it ultimately approved Verizon's application for authority to offer long-distance in Pennsylvania, the Pennsylvania Public Utilities Commission ("PUC") also criticized Verizon's billing practices.
26. In a dissenting opinion, as quoted by AT&T in the Pennsylvania proceedings (Exhibit "4" to my affidavit), Commissioner Fitzpatrick commented: "Despite its efforts over the past two years, Verizon has yet to provide CLECs with an electronic bill which is sufficiently reliable that Verizon will consider it the official 'bill of record.' The practical effect of this on CLECs is that every month they are required to sort through and read hundreds of boxes of paper bills in order to check the accuracy of their bills. This is an impossible task for the CLECs, and it is ironic that they are forced to endure such a procedure in this high-tech industry. One CLEC even testified that it estimates what it owes Verizon and pays that amount, and Verizon accepts that payment because it cannot prove otherwise." (PaPUC Consultative Report, Dissenting Opinion, at 2).
27. Other competitors, including AT&T, MCI, and Z-Tel, have also recently emphasized the magnitude of the problems caused by Verizon's billing practices.
28. In their comments in Pennsylvania (Exhibits "5," "6," and "7" to my affidavit), AT&T noted that without electronic billing, CLECs cannot verify the accuracy of Verizon's charges (Exhibit "5" pp 50-51); Z-Tel remarked that "Verizon's paper bill is always wrong" and that it regularly disputes 20% of the amounts, in sums admitted by Verizon to be in error (Exhibit "7" at 3, 7-8); MCI commented on the futility of auditing hundreds of boxes of individual paper bills each month (Exhibit "6").

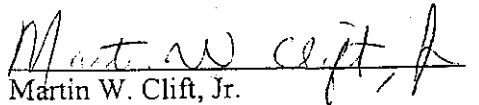
29. In fact, Verizon's billing inadequacies have been so widespread and caused so many problems that *USA Today* published an article on the issue on the front page of its business section on August 21, 2001.
30. The article (Exhibit "8" to my affidavit) included a photograph of me in front of some of the voluminous bills that Verizon has sent to Cavalier.

Verizon's Threatening Letter

31. I have intermittently been involved in discussions with Verizon about the problems caused by Verizon's billing practices.
32. Cavalier has disputed Verizon's bills because of the many problems that affect those bills, but Cavalier has also worked with Verizon for months to try to resolve the billing problems created by Verizon, as reflected in my correspondence to Verizon of May 16, 2001 (Exhibit "9" to my affidavit).
33. Verizon promised many times to implement solutions or provide explanations of its bills, but it never provided more than a partial fix or explanation.
34. After the most recent set of meetings between to address Verizon's billing problems, Verizon told Cavalier that it would provide a set of bills by the end of October, with the rate elements corrected to reflect the applicable density cells for the loops billed to Cavalier.
35. Instead, Verizon sent me a letter dated October 15, 2001 (Exhibit "10" to my affidavit) demanding payment for a supposedly "minimum" amount that it claimed was due for Cavalier's Virginia loop bills.

36. Verizon threatened to stop providing Cavalier with new loops beginning on November 15, 2001, and ultimately to terminate its interconnection agreement with Cavalier, if Cavalier does not pay Verizon this amount.
37. Cavalier's president, Brad Evans, Cavalier's vice president-finance, and I traveled to Boston to meet with Verizon on October 22, 2001, to try to settle all of the disputed bills from Verizon to Cavalier and its affiliates, and from Cavalier and its affiliates to Verizon, for the five-state area in which Cavalier does business.
38. Cavalier also formally disputed Verizon's October 15, 2001 "notice of default," in my letter dated October 30, 2001 (Exhibit "11" to my affidavit).
39. Verizon responded in a November 1, 2001 e-mail (Exhibit "12" to my affidavit) that it has not "changed its intentions" as stated in its October 15, 2001 letter.
40. As explained in the accompanying affidavit of Cavalier's president, Brad Evans, Verizon will put Cavalier out of business if Verizon carries out its threats.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Executed on November 13, 2001.


Martin W. Clift, Jr.

USA
TODAY

Money

SECTION B

Tuesday, August 21, 2001

Cover story

Phone start-ups tangle with giants

Small companies say
big fish make it tough
to reel in customers

By Paul Davidson
USA TODAY

When Erin Davis of eSpire Communications signed up the Columbus (Ga.) RedStixx baseball team for phone service, she figured her upstart local phone company had wrested another big customer from a big guy: BellSouth.

The problem: Davis still had to make sure the phone lines at the RedStixx's ballpark were set up properly. The owner of those lines? BellSouth.

While she was trying to arrange the service, she says a BellSouth technician launched into a tirade, telling her it was wrong that she could use BellSouth's line





May 16, 2001

Sharon Logan
Cavalier Account Manager
Verizon Virginia
Richmond, VA

Dear Sharon,

I am writing to request your assistance in setting up a meeting to discuss billing issues. Many bills between our companies are in dispute including:

Unbundled Loops
Reciprocal Compensation
Access
Interconnection Trunking
DSL Conditioning

I would expect for this meeting that the appropriate executives that would be familiar with these issues, and would have the authority to either agree on terms for resolution, or to adopt a process for resolution of these matters would represent Verizon. Representing Cavalier at this meeting will be:

David Whitt - VP Finance
Marty Clift - VP Regulatory
Clancy Daly - Comptroller
Arlene Warren - CABS Analyst

We would request that the meeting be held at our Laburnum facility and be scheduled during the week of June 4.

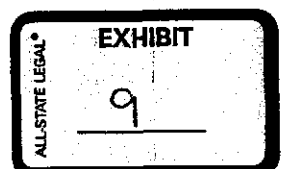
Please call to arrange the meeting (804-422-4515).

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Martin W. Clift, Jr.".

Martin W. Clift, Jr.
Vice President Regulatory



October 15, 2001

VIA OVERNIGHT MAIL

Cavalier Telephone, LLC
ATTN: VP Regulatory
2134 Laburnum Avenue
Richmond, VA 23227

Re: Notice Of Default

Dear Martin Clift,

Please take notice that Cavalier Telephone, LLC ("Cavalier") is in continuing default of its bill payment obligations under its Interconnection Agreement with Verizon Virginia Inc. f/k/a Bell Atlantic - Virginia, Inc. ("Verizon Virginia").

Specifically, Cavalier is more than thirty (30) days in arrears on payments of undisputed charges due under the following Virginia accounts:

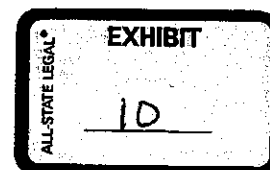
(1) VA CRIS BAN 023927-1023-U (Loops)	\$2,355,473.10 ¹
(2) VA-EXPRESS BAN 75697302 (Loops)	\$4,770,802.02 ¹
(3) VA-CRIS BAN 023927-1037-L (Listings)	\$ 672,353.47
(4) VA-EXPRESS BAN 101510689 (Listings)	\$1,246,306.14

Please take further notice that if this payment default is not cured within thirty (30) days of this letter, Verizon Virginia will begin to exercise its available rights and remedies, pursuant to Sections 21 and 24 of the Interconnection Agreement, up to and including suspension of service provision and termination of the Interconnection Agreement. Initially, Verizon Virginia will place an embargo on Cavalier accounts and suspend the processing of Cavalier service orders.

This cure demand is for undisputed past due charges.

Verizon is, of course, aware that Cavalier has raised disputes as to some of the charges on the UNE Loop invoices billed under the first two BANs referenced above. Verizon Virginia and Cavalier have worked through a dispute resolution escalation procedure, in accordance with Attachment VIII of the Interconnection Agreement. This dispute escalation process has continued for more than 120 days and has already been escalated to the top of the Cavalier business organization.

¹ Please take notice that this amount is a minimum amount that does not reflect the actual charges owed under this BAN. Cavalier's actual past due charges will be in excess of this minimum re-priced amount (explained below) and will be determined exactly after the application of mechanized billing adjustments for density cell zone rates.



During this process, Verizon has already issued bill credits and retroactive rate adjustments to Cavalier. In addition, Cavalier is aware that density cell zone adjustments are scheduled for issuance on a mechanized basis, with final rate adjustments to appear on Cavalier UNE loop bills before the end of the year.

For its part, Cavalier has not made any payments to Verizon Virginia on any of its accounts since a loop account payment of \$219,283.84 in July 2000 on the BAN referenced in item (1) above. Verizon Virginia has never received any payments on any of the BANs referenced above in items (2), (3) and (4).

Cavalier has not filed any disputes on its listings accounts billed under the BANs referenced above in (3) and (4). Since the first quarter of this year, Cavalier has not provided any quantifiable claims detail to dispute Verizon Virginia's UNE loops invoices issued from ExpressTrak (ET) on the BAN referenced above in (2).

Cavalier has taken the position that its dispute of a portion of the Verizon Virginia UNE loop charges entitles Cavalier to stop all payment to Verizon Virginia. Cavalier's justification to Verizon for this complete nonpayment of Verizon Virginia charges is that it is too much effort for Cavalier to identify and quantify the charges it disputes on the bills in their current form, so Cavalier has simply suspended all payments until all mechanized bill adjustments are issued.

Verizon has specifically advised Cavalier that Cavalier cannot continue to ignore its payment obligations and has made several good faith attempts to find a simple resolution to this unacceptable situation. Verizon shared with Cavalier a sample analysis of its UNE loop charges that demonstrated that the mechanized bill adjustments would correct underbilling as well as overbilling and made an offer to Cavalier to accept an interim 60% payment on Cavalier accounts, with a subsequent true-up obligation after all mechanized bill adjustments have been processed. Cavalier refused this offer.

Then, Verizon made its final effort to obtain Cavalier's compliance with its contract payment obligations. To be completely certain that Verizon Virginia is only making immediate payment demands for past due payments that are indisputably due for services rendered, Verizon took the following steps. Verizon analyzed Cavalier's accounts, pulled its in-service loop counts, and calculated a theoretical re-pricing of those loops, using the minimum rate available in Virginia for density cell zone 1, the lowest priced density zone in Virginia. These minimum rate applications were applied irrespective of the service or loop type or the density cell zone actually in use by Cavalier and that otherwise would apply to Cavalier accounts. In addition, nonrecurring charges, that can vary based on number of loops per order, were completely excluded from the theoretical re-pricing of Cavalier's accounts. Verizon thus reached a price below the lowest price actually available for UNE loops in Virginia. Under this theoretical re-pricing, Cavalier cannot dispute a minimum debt to Verizon Virginia for its UNE loops in service of \$7.1 million out of the \$11.8 million billed to its loop accounts through July 2001.

On October 9, 2001, Cavalier refused to pay its listing accounts and to make even this minimum payment of amounts indisputably due on its UNE loop accounts to compensate Verizon Virginia for its continuing provision of service to Cavalier. David Whitt, Chief Financial Officer, also confirmed to Verizon that its Chief Executive Officer, Brad Evans, has personally ratified Cavalier's continuing and total payment default as a means of providing "leverage" to resolve all disputed issues with Verizon.

Cavalier is not in compliance with contract requirements for asserting and resolving "good faith billing disputes." While Verizon Virginia has continued to perform its contract obligations to provide service, Cavalier has intentionally defaulted in making any payments for such service. Cavalier's position that dispute of a portion of the Verizon Virginia charges entitles Cavalier to stop all payment to Verizon Virginia violates basic principles of contract law and eliminates any consideration for Verizon's continued performance.

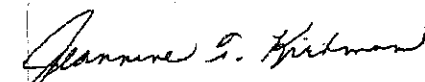
Further, Cavalier's action is in specific breach of the billing dispute provisions of the Interconnection Agreement contained in Attachment VIII. Section 3.1.8 requires that "payment of all undisputed amounts due under this Agreement shall be made no later than the due date [,]" while subsection 3.1.8.3 clearly states that "failure by a Providing Party to present bills to a Purchasing Party in a timely or accurate manner shall not constitute a breach or default of this Agreement or a waiver of a right of payment of the incurred charges, by the Providing Party." Thus, Cavalier's position constitutes a material default under Section 21 and grounds for suspension of service and contract termination.

Verizon Virginia remains committed to correcting any errors on any of its bills and to working with Cavalier to resolve all good faith disputes raised by Cavalier with respect to its accounts. However, Verizon Virginia cannot and will not continue to provide service to Cavalier without any payments forthcoming.

Therefore, Cavalier must send Verizon Virginia by close of business on November 15, 2001 an electronic funds transfer in the amount of \$9,044,934.73.²

If Cavalier does not cure its default in the manner set forth hereinabove, then Verizon will take immediate action to begin implementing its available remedies, including suspension of service and the ultimate termination of the Interconnection Agreement.

Please contact me on (617) 743-6400 to arrange payment in cure of Cavalier payment obligations in Virginia.



Jeannine T. Kirkman
Vice President - Wholesale Billing & Collections

CC: David Whitt

² This amount reflects the total amount of the past due charges in the above-referenced Cavalier BANS in (1) through (4), and it will be applied to the above-referenced BANS to cure the payment default. This total consists of \$7,126,275.12 in past due charges on the Cavalier UNE Loop BANS in (1) and (2), which have been theoretically re-priced to the lowest recurring rates at which Verizon Virginia's UNE loop service is available in Virginia to determine the amount of billed charges that are indisputably in default. In addition, the total cure amount includes \$1,918,659.54 in actual undisputed charges in payment default on the Cavalier listing accounts in BANS (3) and (4).



"Your Local Telephone Company"

October 30, 2001

BY OVERNIGHT DELIVERY

Ms. Jeannine T. Kirkman
Vice President-Wholesale Billing & Collections
Verizon Communications Corporation
125 High Street
Boston, Massachusetts 02110

Re: "Notice of Default"

Dear Ms. Kirkman:

Cavalier Telephone, LLC ("Cavalier") responds to your letter dated October 15, 2001, ostensibly sent on behalf of Verizon Virginia Inc. ("Verizon").

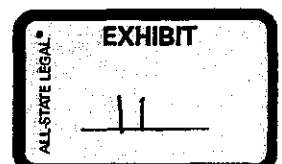
Cavalier rejects your statement that Cavalier is "in default" of its payment obligations to Verizon. As you know, Cavalier has disputed these charges and actively pursued reasonable resolution of the many billing problems created by Verizon. In response, Verizon has refused to conduct itself reasonably, refused to provide electronic versions of any bills, and insisted upon deluging Cavalier with thousands of pages of paper "bills" each month, without verification of the charges that Verizon claims are due.

For over a year, from July 1999 through July 2000, Cavalier tried to contend with Verizon's deficient, inaccurate bills. As David Whitt noted in a November 28, 2000 letter to Verizon, Cavalier repeatedly asked Verizon to provide billing data in an accessible, electronic format, but Verizon refused. Cavalier sought to self-bill for loop purchases, and paid Verizon over \$400,000 for estimated loop purchases from July 1999 through March 2000, using data prepared by Cavalier. Cavalier also provided Verizon with estimated loop purchases from April 2000 to July 2000 and asked Verizon to review the data for accuracy. Verizon again refused.

Even after Verizon's repeated refusals to accommodate or even acknowledge Cavalier's efforts to correct this difficult situation, Cavalier offered to close out the books on loop bills through December 31, 2000. Verizon did not even afford Cavalier the courtesy of a response. Cavalier nonetheless continued to seek resolution of the billing issues. For example, I sent a letter to Sharon Logan, Cavalier's account representative, dated May 16, 2001, asking to discuss a variety of billing issues. In a June 21, 2001 conference call, Cavalier outlined some of the problems that it was experiencing, but Verizon offered no meaningful response.

In another conference call on July 18, 2001, Verizon recognized some of the problems that Cavalier was experiencing, but Verizon had not resolved the problems. In a face-to-face meeting on August 14, 2001, Verizon presented its efforts to begin resolving some of these problems, and presented a "sample" of bills that Verizon believed to have been resolved. Unfortunately, that sample continued to suffer from many, if not all, of the same problems previously identified. Verizon indicated that it would resolve these problems by the end of

2134 West Laburnum Avenue • Richmond, VA 23227
Phone: (804) 422-4000 • Fax: (804) 422-4392
Website: www.cavaliertelephone.com



Ms. Jeannine T. Kirman
Vice President-Wholesale Billing & Collections
Verizon Communications Corporation
October 29, 2001
Page 2

October 2001. Only two business days before receiving your letter dated October 15, 2001, Verizon had contacted Cavalier to set up another meeting, and Cavalier had agreed to attend.

In short, Cavalier has sought many times to resolve the billing problems that it has experienced with Verizon for over two years, with no success. Rather than providing a bill in any sort of electronic format, or providing any intelligible summary information about the paper bills, Verizon continues to send Cavalier some 50,000 pages of paper bills each month. These bills are in the same format as Verizon's retail bills for customers with one or two lines—they are not even in the same format as the bills provided by Verizon to its larger retail customers. Such a billing format is utterly inappropriate for a wholesale customer with over 100,000 access line equivalents. Further, Verizon has not even billed Cavalier under one billing system, instead using both the Legacy and Express Trak systems.

In response to the inaccurate assertions in your letter about the dispute resolution escalation procedure, please note that the issue was not escalated to "the top of the Cavalier business organization." As noted above, your letter arrived just after Cavalier had agreed to a Verizon invitation to escalate the matter further. Indeed, Cavalier's top management, including President Brad Evans, VP-Finance David Whitt, and VP-Regulatory Marty Clift, traveled to Boston to meet with you and another Verizon representative on October 22, 2001, to present a specific proposal in yet another effort to resolve the massive billing problems created by Verizon. Your office did not even respond to Cavalier's proposals, even after Brad Evans personally sought to contact you by telephone on October 26, 2001 and October 30, 2001. Cavalier therefore rejects your apparent contention that efforts by the parties to resolve the billing issues have been exhausted under Section 24 of the parties' Interconnection Agreement. Cavalier instead points out that Verizon's failure to respond to Cavalier's many efforts to resolve this dispute constitute lack of good faith effort to resolve the dispute.

Also with respect to dispute resolution, the comments that you attribute to David Whitt are distorted and inaccurate. Mr. Whitt has stated to Verizon that Cavalier wishes to resolve all outstanding billing issues, rather than continuing efforts to effect some piecemeal resolution that fails to correct the many billing problems created by Verizon and the adverse effects that those problems are causing for Cavalier's business operations.

With respect to your assertions about whether Cavalier can dispute the approximately \$9 million now sought by Verizon, please note that even the amounts that Verizon characterizes as a "minimum amount" is neither accurately stated nor a "minimum" amount as claimed. The purported "minimum amount" apparently (a) does not account for discounts that should apply under the FCC's Bell Atlantic-GTE Merger Order, (b) contains order processing charges that are inappropriate—and billed at the wrong amount for the type of lines even if they were appropriate, (c) contains inapplicable retail charges for federal, state, and E911 taxes, (d) contains unexplained UNE order charges, (e) incorporates redundant amounts for loop charges under both the "loops" and "listings" bills, and (f) suffers from other flaws. Cavalier therefore does dispute the validity of the charges, and disputes Verizon's contention of default under Section 3.1.8.3 of the Interconnection Agreement between the parties. Further, although you suggest that Cavalier should wait for mechanized corrections for density cell zone adjustments, those adjustments have

Ms. Jeannine T. Kirman
Vice President-Wholesale Billing & Collections
Verizon Communications Corporation
October 29, 2001
Page 3

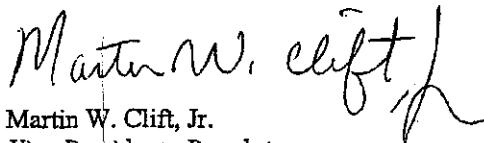
been promised and postponed several times before, and Verizon has provided no basis for Cavalier to believe that Verizon will effect any timely or accurate adjustment by the end of 2001.

Cavalier also disputes your claim that Verizon "has continued to perform its contract obligations to provide services." In fact, Verizon has repeatedly failed to perform its contract obligations. That failure has been demonstrated through the inferior quality of loops provided by Verizon, Verizon's refusal to unbundle certain types of loops, Verizon's utter failure to delivery loops in a timely fashion, Verizon's reliance upon deeply flawed operations support systems and procedures, and the host of specific problems that Verizon has caused, ranging from directory listing errors to premature disconnects to double billing and more. These breaches of Verizon's obligations have caused Cavalier extensive monetary losses and damage to its business and reputation. For Verizon to threaten Cavalier about non-payment, when Verizon itself has materially failed to perform its obligations to Cavalier, merely displays another instance of Verizon's effort to pressure Cavalier and try to force Cavalier from the market.

In sum, Cavalier regrets to advise you that it continues to dispute the charges described in your letter, as well as the validity of Verizon's purported notice of default in your letter dated October 15, 2001. Cavalier believes that the notice of default is premature and legally unsupported, and that the "embargo" and discontinuation of service threatened by your letter are inappropriate under the circumstances. Cavalier therefore respectfully requests that you acknowledge the invalidity of that notice and conclude the long-running efforts to resolve the disputed issues described in your letter.

Because of the November 15, 2001 deadline threatened by Verizon, Cavalier requests a response to this letter within two business days, by November 1, 2001. Please contact me at 804.422.4515 if you have any questions.

Sincerely,



Martin W. Clift, Jr.
Vice President -Regulatory

cc: Mr. David O Whitt

Shoer, Alan

From: Clift, Marty
Sent: Thursday, November 01, 2001 3:25 PM
To: Shoer, Alan; Perkins, Stephen; Lynch, Donald
Cc: Evans, Brad; Whitt, David
Subject: FW: Notice of Default

-----Original Message-----

From: jeannine.t.kirkman@verizon.com
[mailto:jeannine.t.kirkman@verizon.com]
Sent: Thursday, November 01, 2001 2:29 PM
To: Clift, Marty
Subject: Notice of Default

Mr. Clift,

Marty,

I was out of the office yesterday and received your overnight letter dated October 30th this morning. Please be assured that we are reviewing your letter, but that it has not changed our minds with respect to our previously announced intentions. For the record, I would also like to note that I had responded to Brad's message via voice mail on Monday, October 29th.

Jeannine

Jeannine Kirkman
Vice President - Wholesale Billing & Collections
Verizon Communications Corporation
125 High St
Boston, Ma 02110

